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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

MARK BIALIC, Individually and on Behalf of All
Others Similarly Situated,

Plaintiff,

v.

ENPHASE ENERGY, INC., BADRINARAYANAN
KOTHANDARAMAN and MANDY YANG

Defendants.

Case No.

**COMPLAINT FOR
VIOLATIONS OF THE
FEDERAL SECURITIES
LAWS**

CLASS ACTION

Demand for Jury Trial

1 Plaintiff Mark Bialic (“Plaintiff”), individually and on behalf of all other persons similarly
2 situated, by their undersigned attorneys, alleges in this Complaint for violations of the federal
3 securities laws (the “Complaint”) the following based upon knowledge with respect to their own
4 acts, and upon facts obtained through an investigation conducted by his counsel, which included,
5 *inter alia*: (a) review and analysis of relevant filings made by Enphase Energy, Inc. (“Enphase”
6 or the “Company”) with the United States Securities and Exchange Commission (the “SEC”); (b)
7 review and analysis of Enphase’s public documents, conference calls, press releases, and stock
8 chart; (c) review and analysis of securities analysts’ reports and advisories concerning the
9 Company; and (d) information readily obtainable on the internet.

10 Plaintiff believes that further substantial evidentiary support will exist for the allegations
11 set forth herein after a reasonable opportunity for discovery. Most of the facts supporting the
12 allegations contained herein are known only to the defendants or are exclusively within their
13 control.

14 **NATURE OF THE ACTION**

15 1. This is a federal securities class action on behalf of all investors who purchased or
16 otherwise acquired Enphase securities between February 7, 2023 and April 25, 2023, inclusive
17 (the “Class Period”), seeking to recover damages caused by Defendants’ violations of the federal
18 securities laws (the “Class”).

19 2. Defendants provided investors with material information concerning Enphase’s
20 expected revenue for the fiscal year 2023. Defendants’ statements included, among other things,
21 Enphase’s continued ramp in higher-margin IQ8 microinverters, roll-out of gen-3 battery
22 technology, expansion into new markets thereby supporting Defendants’ decision to forecast
23 revenue of \$700 million to \$740 million for the first quarter of 2023.

24 3. Defendants provided these overwhelmingly positive statements to investors while,
25 at the same time, disseminating materially false and misleading statements and/or concealing
26 material adverse facts concerning decrease in battery shipments to Europe and California;
27 slowdown in battery deployment and adoption; longer transition period with NEM 3.0 and slower
28

1 output of inverters manufactured by the new US base manufacturing lines, This caused Plaintiff
2 and other shareholders to purchase Enphase's securities at artificially inflated prices.

3 4. The truth emerged on April 25, 2023 when Enphase issued a press release
4 announcing its first quarter earnings. In pertinent part, Defendants announced revenue in the
5 United States had decreased by approximately 9% attributing it to macroeconomic conditions.
6 Additionally, Defendants put out a weak second quarter outlook for 2023 where revenue was
7 estimated to be within the range of \$700 million to \$750 million.

8 5. Investors and analysts reacted immediately to Enphase's revelation. The price of
9 Enphase's common stock declined dramatically. From a closing market price of \$220.60 per share
10 on April 25, 2023, Enphase's stock price fell to \$163.83 per share on April 26, 2023, a decline of
11 nearly 26% in the span of just a single day.

12 **JURISDICTION AND VENUE**

13 6. Plaintiff brings this action, on behalf of himself and other similarly situated
14 investors, to recover losses sustained in connection with Defendants' fraud.

15 7. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the
16 Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the
17 SEC (17 C.F.R. §240.10b-5).

18 8. This Court has jurisdiction over the subject matter of this action pursuant to 28
19 U.S.C. §§1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. §78aa.

20 9. Venue is proper in this District pursuant to §27 of the Exchange Act and 28 U.S.C.
21 §1391(b), as Defendant Enphase is headquartered in this District and a significant portion of its
22 business, actions, and the subsequent damages to Plaintiff and the Class, took place within this
23 District.

24 10. In connection with the acts, conduct and other wrongs alleged in this Complaint,
25 Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce,
26 including but not limited to, the United States mail, interstate telephone communications and the
27 facilities of the national securities exchange.
28

THE PARTIES

11. Plaintiff purchased Enphase common stock at artificially inflated prices during the Class Period and was damaged upon the revelation of the Defendants' fraud. Plaintiff's certification evidencing his transaction(s) in Enphase is attached hereto.

12. Enphase Energy Inc. is a California corporation with its principal executive offices located at 47281 Bayside Parkway, Fremont, California 94538. During the Class Period, the Company's common stock traded on the NASDAQ Stock Market (the "NASDAQ") under the symbol "ENPH."

13. Defendant Badrinarayanan Kothandaraman ("Kothandaraman") was, at all relevant times, the Chief Executive Officer, President and Director of Enphase.

14. Defendant Mandy Yang ("Yang") was, at all relevant times, the Chief Financial Officer and Vice President of Enphase.

15. Defendants Kothandaraman and Yang are sometimes referred to herein as the "Individual Defendants." Enphase together with the Individual Defendants are referred to herein as the "Defendants."

16. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Enphase's reports to the SEC, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*, the market. Each Individual Defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

- Record quarterly revenue of \$724.7 million
- GAAP gross margin of 42.9%; non-GAAP gross margin of 43.8%
- GAAP operating income of \$157.0 million; non-GAAP operating income of \$229.4 million
- GAAP net income of \$153.8 million; non-GAAP net income of \$212.4 million
- GAAP diluted earnings per share of \$1.06; non-GAAP diluted earnings per share of \$1.51
- Free cash flow of \$237.3 million; ending cash, cash equivalents, and marketable securities of \$1.61 billion

...

IQ8 Microinverters constituted approximately 55% of all our microinverter shipments during the fourth quarter of 2022. We introduced IQ8 Microinverters in France and the Netherlands in the fourth quarter of 2022, marking the first expansion into international markets for the product since its successful launch in North America in late 2021.

Our IQ Battery shipments were 122.1 megawatt hours in the fourth quarter of 2022, compared to 133.6 megawatt hours in the third quarter of 2022. We made significant software upgrades to continue improving the installer and homeowner experience and brought commissioning times down. We shipped IQ Batteries to North America, Germany, and Belgium during the fourth quarter of 2022. We now have approximately 2,300 installers worldwide that are certified to install our IQ Batteries.

We are adding additional manufacturing capacity in the United States due to the strong global demand for our products as well as the incentives related to the Inflation Reduction Act (IRA). We plan to begin domestic manufacturing in the second quarter of 2023 with a new contract manufacturing partner and in the second half of 2023 with our two existing contract manufacturing partners.

We began manufacturing Enphase-branded electric vehicle (EV) chargers at our contract manufacturing facility in Mexico, helping us to increase capacity and reduce costs. We expect to introduce IQ smart EV chargers to customers in the United States in the first half of 2023. They will provide connectivity and control, enabling use cases like green charging and allowing homeowners visibility into the operation of their Enphase solar-plus-storage-plus-EV system through the Enphase® App.

We continued to make progress on our installer platform. We made updates to SolargrafSM software during the fourth quarter of 2022, incorporating battery design and proposal, document management, consumption modeling, and several other improvements requested by our installer partners. In addition, we made significant

1 strides in automating the creation of permit plan sets with Solargraf software. We
2 now have more than 1,000 installers using the software.

3 ...

4 **FIRST QUARTER 2023 FINANCIAL OUTLOOK**

5 For the first quarter of 2023, Enphase Energy estimates both GAAP and non-GAAP
6 financial results as follows:

- 7 • Revenue to be within a range of \$700 million to \$740 million, which
8 includes shipments of 100 to 120 megawatt hours of Enphase IQ Batteries
- 9 • GAAP gross margin to be within a range of 40.0% to 43.0%; non-GAAP
10 gross margin to be within a range of 41.0% to 44.0%, excluding stock-based
11 compensation expense and acquisition related amortization

12 22. On the same day, Defendants held an earnings call that included Defendants
13 Kothandaraman and Yang on behalf of Enphase. During the call, the Individual Defendants
14 provided analysts with detailed information concerning the Company's continued ramp in higher-
15 margin IQ8 microinverters, launch of its gen-3 battery technology, increased expansion into new
16 markets and the start-up of U.S. manufacturing lines. Defendants Kothandaraman and Yang
17 commented on Enphase's achievement of delivering record quarterly revenue for 1Q 2023 despite
18 seasonality and the challenging macro environment. These statements misled investors by failing
19 to disclose material information concerning Defendants' inability to accurately project sales and
20 revenue.

21 23. During opening remarks, Kothandaraman stated, in part, as follows:

22 Let's talk about microinverter manufacturing. Our overall supply environment
23 remains quite stable in general. There are issues that crop up from time to time. Our
24 teams are staying on top of them. Our quarterly capacity was 5 million
25 microinverters exiting Q4. We are on track to begin manufacturing at Flex Romania
26 starting this quarter, enabling us to service Europe better. This will enable a total
27 quarterly capacity of 6 million microinverters exiting Q1. We are going to increase
28 this capacity even more with U.S. manufacturing.

Let's cover that now. As we discussed last quarter, we are pleased that the IRA will
help bring back high-tech manufacturing to the U.S. and stimulate the economy
through the creation of jobs. We are excited to service the U.S. customers better

with local manufacturing. We plan to begin U.S. manufacturing of our microinverters in the second quarter of 2023 with a new contract manufacturing partner and in the second half of 2023 with our 2 existing contract manufacturing partners. We plan to open 6 manufacturing lines by the end of this year adding a quarterly capacity of 4.5 million microinverters, bringing our total quarterly capacity to more than 10 million microinverters as we exit 2023.

...

Let's cover the regions. Our U.S. and international revenue mix for Q4 was 71% and 29%, respectively. In the U.S., our revenue increased 15% sequentially and 59% year-on-year. We had record quarterly revenue, record quarterly sell-through for our microinverters and record quarterly installer count in the fourth quarter. Our microinverter channel inventory was quite healthy at the end of the fourth quarter, while our storage channel inventory was a little elevated.

...

We have a strong team in place and are quite bullish about 2023. We expect to introduce IQ batteries and IQ8 microinverters into many more countries in Europe as we progress through the year. Our value proposition is our differentiated home energy management systems, combined with high quality and great customer experience.

(Emphasis added.)

24. Defendant Yang highlighted Enphase's fourth quarter and business outlook for the first quarter of 2023 stating, in pertinent part:

Total revenue for Q4 was \$724.7 million, representing an increase of 14% sequentially and a quarterly record. We ship approximately 1,952.4 megawatts DC of microinverters and 122.1 megawatt hours of IQ batteries in the quarter. Non-debt gross margin for Q4 was 43.8% compared to 42.9% in Q3.

The increase was driven by a favorable I8 product mix. The gross margin was 42.9% for Q4. Non-GAAP operating expenses were \$87.7 million for Q4 compared to \$78.6 million for Q3. The increase was driven by international growth, customer service and R&D. Same operating expenses were \$153.7 million for Q4 compared to \$132.5 million for Q3. GAAP operating expenses for Q4 included \$59.4 million of stock-based compensation expenses and \$4.9 million of acquisition-related expenses and amortization for acquired intangible assets and \$1.8 million of restructuring and asset impairment charges.

...

In Q4, we generated \$253.7 million in cash flow from operations and \$237.3 million in free cash flow. Capital expenditure was \$16.4 million for Q4 compared to \$8.9 million for Q3. The increase was primarily due to investment in additional content manufacturing sites and R&D equipment. Capital expenditure for the full year of 2022 was \$46.4 million.

Now let's discuss our outlook for the first quarter of 2023. We spent our revenue for the first quarter of 2023 to be within a range of \$700 million to \$740 million, which includes shipments of 100- to 120-megawatt hours of IQ batteries. We expect GAAP gross margin to be within the range of 40% to 43% and non-debt gross margin to be within the range of 41% to 44%, which excludes stock based compensation expenses and acquisition-related amortization. We assume a conservative euro FX rate in our Q1 guidance, and we don't expect significant impact to our financials from fluctuations in FX rates. We set up our debt operating expenses to be within a range of \$177 million to \$181 million, including approximately \$77 million estimated for stock-based compensation expenses, restructuring charges for site consolidation, acquisition-related expenses and amortization. We expect our non-GAAP operating expenses to be within a range of \$100 million to \$104 million.

(Emphasis added.)

25. Defendant Kothandaraman continued to highlight Enphase's opportunities for the upcoming fiscal year 2023, stating in part:

We manage for the long term. The basic thesis ongoing solar and storage remains intact, aided by a few factors: first, the utility rates which are rising in many states across the U.S.; second, the 30% ITC tax credit, which has been extended for 10 years with the IRA; and third, the desire for energy independence and tackling climate change.

At Enphase, we will continue to make best-in-class home energy systems with a laser focus on product innovation, quality and customer experience. Let's switch to talking about battery. We shipped 122-megawatt hours of IQ batteries in Q4. We have now certified approximately 2,300 installers worldwide since the introduction of IQ batteries into North America, Germany and Belgium. Our installers in North America experienced a median commissioning time of 91 minutes exiting Q4 compared to 118 in Q3. We made significant software changes to improve communication, big transitions and commissioning time, and I'm quite happy with the performance of the team.

1 *As a result, we saw slightly higher sell-through of our batteries in Q4 versus Q3.*
2 *We've also got a number of feedback from the installers about the fact of*
3 *improved performance in terms of commissioning. We plan to ship 100- to 120-*
4 *megawatt hours of IQ batteries in Q1. We also expect to start ramping our third*
5 *generation IQ battery in North America and Australia in the second quarter. This*
6 *battery has got 5-kilowatt hour modularity, 2x the power compared to our existing*
7 *battery and 30-minute commissioning time in addition to being easier to install*
8 *and service. We expect the higher charge discharge rate as well as the 5-kilowatt*
9 *hour modularity to be uniquely beneficial to the homeowners under the*
10 *upcoming NEM 3.0 tariff in California.*

11
12 With the significant changes we are making to our IQ batteries, we are confident
13 that storage installations will become as efficient as microinverters. And as a result,
14 the profitability for installers should get better. We expect our battery business to
15 perform well in the second half of the year, both due to our third-generation battery
16 as well as NEM 3 adoption in California.

17 ...

18 *In summary, we are quite pleased with our performance. As a reminder, our*
19 *strategy is to build best-in-class home energy systems and deliver them to*
20 *homeowners through our installer and distributor partners, enabled by the*
21 *installer platform. We have many new products that are coming out in 2023, that*
22 *will increase our served available market and positively contribute to the top line.*

23 *We look forward to introducing IQ8 microinverters worldwide, introducing IQ*
24 *batteries into more countries in Europe, launching our third-generation battery*
25 *in North America and Australia as well as introducing our highest power 480-*
26 *watt IQ8P microinverter for both the U.S. small commercial and emerging*
27 *residential markets. We're also excited about the upcoming Solargraf*
28 *functionality, especially the NEM 3.0 functionality. And finally, the work we are*
doing to bring both smart EV chargers as well as bidirectional EV charging
capabilities to the market.

(Emphasis added.)

26. During the question-and-answer segment of the call, Defendant Kothandaraman continued the false impression given to investors during his opening remarks. For example, when asked by analysts as to Enphase's potential growth in 2023, Defendant Kothandaraman stated in pertinent part as follows:

1 <Q: Mark Wesley Strouse -JP Morgan Chase & Co.- Analyst> So a lot of focus on
2 the U.S. markets, but I just wanted to go back to your comments about Europe. So
3 that's obviously been very strong in the last couple of years, kind of doubling each
4 year. ***I know you don't guide annually, but just kind of how should we think about
that market in 2023?*** Do you think kind of an approximate doubling is kind of the
base case that we should be expecting from here?

5 <A: Badrinarayanan Kothandaraman > Well, as you said, we do not drive
6 something annually, but European market is growing. At least our internal reports
7 talk about served available solar market of about 13 gigawatts, 1-3, in 2023. The
8 markets to really -- the markets that are really driving are Netherlands, Germany,
9 Spain, France, Italy, and even actually Austria, Poland, et cetera. They're all
10 becoming quite significant markets. In addition, attach -- battery attach is also
11 growing. Like what I stated in the prior question -- answering the prior question,
12 the attach rate on batteries in Germany is 80%. So solar plus storage is growing
13 healthily. And the geopolitical situation accelerated it last year, and that's
14 continuing what do -- what's our position is. We have a very differentiated product.
15 We have microinverters on the roof, which are very high quality, easy to install, we
16 have a huge customer service operation there in France and in Germany, and we
17 take care of customers well.

18 ...

19 ***So to answer your question, the market is growing. The market is growing really
20 significantly. That's what I told you 13 gigawatts, we are well positioned due to
21 our differentiating value proposition, and we recently bought a company,
22 GreenCom Networks that is even going to make that situation better where we
23 provide a complete home energy management system to our installers.***

24 ...

25 <Q: Steven Isaac Fleishman -Wolfe Research, LLC- Analyst> Yes. Just you're
26 growing your production capacity, you're doubling it from \$5 million a quarter to
27 \$10 million. You said, I think, by year end of '20 -- '23. ***Just could you give us a
28 sense of your conviction that the demand will be there to meet that doubling of
production.***

29 <A: Badrinarayanan Kothandaraman > Yes. Look, if you look at our past growth
30 rates, you can see it, we grew from -- we grew, I think, '21 to '22, we grew 59%.
31 And at that time, I think end of '21, we were doing, if I remember right, around 3-
32 ish million units a quarter. End of '22, we are now -- we just reported 5-ish million
33 units a quarter. ***So you can see that that's the nice growth. So, our long-term thesis
on solar is -- we are extremely bullish. We -- especially with countries like Europe
and with a strong position in the U.S. with our rapid entry into other emerging
markets. We think it is the right call to basically invest in the right***

1 *manufacturing, especially given the IRA benefits. So even if we don't use all 10*
 2 *million units per quarter, we will use it sooner or later. And I think the ROI is*
 3 *well worth especially considering the net benefit to us. So our logic was quite*
 4 *simple.*

5 *We weren't worried. We did a few back-of-the-envelope calculations. We thought*
 6 *it is the right thing for us to invest in these lines and fortunately, we have very*
 7 *strong and great contract manufacturing partners who need to do a lot of the*
 8 *heavy lifting, all our capital that we set out is quite limited. They do a lot of the*
 9 *heavy lifting, like what they are doing today, and 2 of them are existing contract*
 10 *manufacturers. So we have deep relationships. And we are going to work with*
 11 *them in the long term. So we thought that's the right decision for us to do, and*
 12 *we basically accelerated that effort.*

13 *And once we make a decision, it takes us a few quarters. In the past, it has taken*
 14 *us 4 to 6 quarters to ramp up the likes. So our thesis is quite bullish on solar, and*
 15 *we think that's the right call.*

16 (Emphasis added.)

17 27. Defendant Kothandaraman was specifically asked about the NEM (Net Energy
 18 Metering) 3.0 system's effect on Enphase's solar products and responded:

19 <Q: Brian K. Lee -Goldman Sachs Group, Inc.- Analyst> ... *First question I had*
 20 *was just around NEM 3.0. I think there's different implications of that policy*
 21 *uncertainty near term and medium term from what we're hearing.* So maybe just
 22 wanted to get your thoughts near term, some views out there that maybe there's a
 23 pull forward on demand in California. Would be curious what you're seeing with
 24 respect to that? And then kind of in the medium term, we're hearing the industry is
 25 still maybe trying to figure out how to navigate this. So curious how you
 26 specifically are thinking about the second half of 2023 in the U.S.? Are you kind of
 27 base case in California to be down significantly?

28 And then how do you see yourself navigating that, if that's the case? Are you driving
 more product to other states, focusing more in Europe? Just curious just how you'd
 be thinking about planning into that period of higher policy uncertainty in the back
 half?

<A: Badrinarayanan Kothandaraman > *Yes. On NEM 3, we aren't really seeing*
any pull forward right now. But in talks with few installers in California, both
big and small, like what I said, the originations are up strongly. They are all quite
optimistic. And maybe we will see something soon that's why I talked about an
optimistic Q2. But so far, we haven't seen any pull forward demand yet.

1 *Now on talking about NEM 3.0 in general. NEM 3.0 is going to be incredibly*
2 *positive for us.* Because NEM 3.0, I mean, just so everybody gets it, I'll talk about
3 NEM 3.0, the features of NEM 3.0. Basically, the -- previously, the import and
4 export rates were the same. So therefore, when you exported electrons with the
5 solar system didn't really matter. As long as you exported, it got directly subtracted
6 from what you import. That's why it's called net metering, and that was net metering
7 2.0. With NEM 3.0, it matters when you export these electrons. So you have 24
8 hours a day, 365 days a year. So basically, 8,760 data points, and there is an export
9 rate for each of those data points. Each of those hours, there is an export rate. And
10 -- but what it works out to be is if you are interested in a pure solar system, your
11 payback dropped understandably from, let's say, 5 years, it increases actually to
12 something like 7 or 7.5 years with the pure solar system.

13 ...

14 *I'm not sure whether California will go in that direction. Time will tell because,*
15 *we do have some color. We do have resilience issues as well. But I'm sure markets*
16 *will evolve a little in that direction, too. So bottom line, we are incredibly*
17 *optimistic. We got the right batteries for it with the third-generation battery. We*
18 *got the modularity, which I think will start becoming popular.* Grid-tied may
19 become popular, but we'll be ready to do either grid tied or off grid, on grid with
20 backup. The things that are looking, we like NEM 3.0. Of course, we didn't like the
21 fact the step down happened right away. But I think in the long term, it's an okay
22 decision.

23 (Emphasis added.)

24
25 28. The above statements in Paragraphs 21 to 27 were false and/or materially
26 misleading. Defendants created the false impression that they possessed reliable information
27 pertaining to the Company's projected revenue outlook and anticipated growth while also
28 minimizing risk from seasonality and macroeconomic fluctuations. In truth, Enphase had been
experiencing a decrease in battery shipments to Europe and California; slowdown in battery
deployment and adoption; longer transition period with NEM 3.0 and slower output of inverters
manufactured by the new US base manufacturing lines. Defendants misled investors by providing
the public with materially flawed revenue outlook for fiscal 2023.

***Enphase Reveals First Quarter Earnings and
Reveals Weak Revenue Outlook for Second Quarter 2023***

April 25, 2023

29. On April 25, 2023, Enphase issued a press release announcing their first quarter results and weak revenue outlook for the second quarter of 2023. The press release stated, in pertinent part, that:

Total revenue for the first quarter of 2023 was \$726.0 million, compared to \$724.7 million in the fourth quarter of 2022. ***Our revenue in the United States for the first quarter of 2023 decreased approximately 9% due to seasonality and macroeconomic conditions***, while our revenue in Europe increased approximately 25%, compared to the fourth quarter of 2022. Our non-GAAP gross margin was 45.7% in the first quarter of 2023, compared to 43.8% in the fourth quarter of 2022, driven by increased IQ8™ product mix and improved logistics.

For the second quarter of 2023, Enphase Energy estimates both GAAP and non-GAAP financial results as follows, excluding any benefit from the IRA:

- Revenue to be within a range of \$700.0 million to \$750.0 million, which includes shipments of 80 to 100 megawatt hours of Enphase IQ Batteries
- GAAP gross margin to be within a range of 41.0% to 44.0%
- Non-GAAP gross margin to be within a range of 42.0% to 45.0%, excluding stock-based compensation expense and acquisition related amortization
- GAAP operating expenses to be within a range of \$155.0 million to \$159.0 million
- Non-GAAP operating expenses to be within a range of \$98.0 million to \$102.0 million, excluding \$57.0 million estimated for stock-based compensation expense, acquisition related expenses and amortization, and restructuring charges for site consolidation
- GAAP and non-GAAP annualized effective tax rate is expected to be within a range of 21.0% to 23.0%

(Emphasis added.)

30. Also on April 25, 2023, Enphase hosted an earnings call that included Defendants Kothandaraman and Yang. During the call, the Individual Defendants discussed first quarter 2023 results and weak revenue outlook for second quarter 2023, stating, in pertinent part:

1 We had a decent quarter. We reported revenue of \$726 million, shipped
2 approximately 4.8 million microinverters and 102-megawatt hours of batteries and
3 generated free cash flow of \$223.8 million. Approximately 65% of our Q1
4 microinverter shipments were IQ8. We exited Q1 at 46% gross margin, 14%
operating expense and 32% operating income, all as a percentage of revenue on a
non-GAAP basis.

5 ...

6 *In the U.S., our revenue decreased 9% sequentially due to seasonality and*
7 *macroeconomic conditions and increased 28% year-on-year. The sell-through of*
8 *our microinverters in Q1 decreased 21% sequentially compared to Q4, worse than*
9 *the typical seasonality of 15%. Our microinverter channel inventory at the end of*
10 *Q1 was relatively normal, while the storage channel inventory was a little*
11 *elevated.*

12 ...

13 *As I said earlier on this call, our sell-through of microinverters in the U.S. was*
14 *21% lesser in Q1 compared to Q4. Our sell-through in California was only 9%*
15 *lesser than Q4. There was some impact due to the weather in early Q1, but the*
16 *NEM 2.0 rush in Q1 more than compensated for it.*

17 *California installers took advantage of the NEM 2.0 rush and have built up a*
18 *solar backlog for the next 3 to 4 months. We believe the installers aren't*
19 *expanding their crews to accelerate installation, they're laser focused on their*
20 *cash flow due to the high interest rate environment and are looking clarity -- for*
21 *-- yes, clarity on the NEM 3.0 demand.*

22 *Sell-through of our batteries in California was 23% lesser in Q1 compared to Q4*
23 *as installers focused mainly on solar. We expect this trend to continue for the*
24 *next 3 to 4 months. After that, we see NEM 3.0 as a net positive for California*
25 *and expect strong demand to resume for solar plus storage. Let's cover the rest*
26 *of the U.S. The sell-through of microinverters in non-California states was 25%*
27 *lesser in Q1 compared to Q4.*

28 We observed that the sell-through was even lower in states with low utility rates,
such as Texas, Florida and Arizona. In these states, the economics of loan financing
has worsened due to rising interest rates. The sell-through performance in the
Northeast U.S. was a little better. Coming to IQ batteries, the sell-through in non-
California states was 28% lesser in Q1 compared to Q4.

(Emphasis added.)

31. During the question-and-answer segment of the call, the Individual Defendants were asked about the Company's guidance for the second quarter 2023:

<Q: Mark Wesley Strouse- JP Morgan Chase & Co.- Analyst> So I'll just stick to one and take the rest offline. I wanted to come back to the OpEx. The guidance for 2Q is kind of flattish quarter-over-quarter. Just from a high level, not necessarily looking for specific guidance, but from a high level, I mean, to the extent that the macro continues to deteriorate, California transition might take longer than expected. How should we think about OpEx going forward and kind of balancing near-term profitability with a lot of the investments that you're making in geographic and product expansion and everything else?

<A: Badrinarayanan Kothandaraman > You should always think about OpEx at 15% of sales. That's the general model. All I said in Q2 that we're not going to be compromising on innovation. We're not going to be compromising our international growth. We're going to make generally the company better in other areas. But our baseline is 15% of revenue, and we don't plan on exceeding that.

...

<Q: Christine Cho- Barclays Bank PLC- Analyst> Okay. And then on the IQ8 rollout, that's been slower than expected. Could you just go into some more detail into what's driving that? Is it on the supply side with any of the components? Or is it on the demand side as customers sound like they've had to work through inventory over the last quarter or 2? And I think on the last quarter call, you said you expected it to jump to 80% in 2Q.

So is that still the expectation? And then just with the gross margins, it's very high this quarter and the IQ8 drove that. But your 2Q guidance is lower and batteries are lower. So that's going to be less of a drag. So is this just conservatism? Or is there anything one-off that we should be aware about in 1Q or 2Q?

<A: Badrinarayanan Kothandaraman > There's nothing one-off. You're right, we are -- originally, I thought 90% by Q2, last earnings call, I told you 90% by Q3. That's the number, 90% by Q3. 80% by Q2 will be okay. We are -- for example, in Europe, 50% of our volumes are IQ8 right now. We're introducing IQ8 to many more countries as we speak. Yesterday, we introduced IQ8 to Spain and Portugal. Soon, we will introduce to Poland, Germany, et cetera. We plan on doing the bulk of those introductions. In this quarter, most of them, there will be some spillover in Q3 for a few, but we very much want to achieve 90% in Q3. That's our target.

1 ...

2 <Q: Eric Andrew Stine -Craig-Hallum Capital Group- Analyst> One here at the
3 end for me. So I know a lot of moving parts, you've got a big revenue range on one
4 hand, less seasonality on the other. Channel inventory that you've detailed, I'm just
5 curious if you'd be willing to kind of go through a scenario that gets you to the high
6 end of that revenue range and a scenario that gets you to the low end of that range
7 and maybe how that breaks down between the U.S. and international?

8 <A: Badrinarayanan Kothandaraman > Yes. I mean we are pretty conservative
9 when it comes to our guidance. You should see our track record in general. And we
10 do have -- like what I said, we do have a lot of dry powder in terms of new products.
11 This year is the year of new products, and we are going to be releasing new products
12 constantly. And so we think other than the base business, which we guided on in
13 Q2, there is a lot more to come there.

14 So our guidance is a little bit wider this time, plus/minus \$25 million. It is to reflect
15 a slightly more uncertainty compared to the last time. But our Europe business is
16 doing incredibly well. We grew 25% in one quarter from Q4 to Q1. We have
17 doubled -- we doubled from 2020 to 2021. From '21 to '22, we grew 132%. I just
18 released my annual letter yesterday. You can see that. 132% growth from '21 to '22.
19 And so Europe is doing incredibly well for us. We are focused on entering a lot
20 more countries there. We are focused on IQ8 microinverters. We're focused on IQ
21 batteries. Lots of regions big market over 10 gigawatts compared to the U.S., which
22 is 5 gigawatts right now. So bottom line, we are pretty conservative.

23 <Q: Eric Andrew Stine -Craig-Hallum Capital Group- Analyst> Got it. And then I
24 mean you do have the wide range, but it did seem in your commentary that you do
25 expect improvement versus the first quarter. I mean, so is it fair to say that your
26 expectation would be that the top half of that range?

27 <A: Badrinarayanan Kothandaraman > I mean we gave guidance, \$700 million to
28 \$750 million. And there's nothing else, we cannot say we are in the top half of the
range.

32. The aforementioned press release and statements made by the Individual Defendants are in direct contrast to statements they made during the February 7, 2023 earnings call. On that call, Defendant Kothandaraman noted the Company's continued ramp in higher-margin IQ8 microinverters, launch of its gen-3 battery technology, increased expansion into new markets and the start-up of U.S. manufacturing lines. The Individual Defendants also touted

1 Enphase's achievement of delivering record quarterly revenue for 1Q 2023 despite seasonality and
2 the challenging macro environment.

3 33. Investors and analysts reacted immediately to Enphase's revelation. The price of
4 Enphase's common stock declined dramatically. From a closing market price of \$220.60 per share
5 on April 25, 2023, Enphase's stock price fell to \$163.83 per share on April 26, 2023, a decline of
6 nearly 26% in the span of just a single day.

7 34. A number of well-known analysts who had been following Enphase lowered their
8 price targets in response to Enphase's disclosures. For example, Wells Fargo lowered its price
9 target for Enphase's stock, and identified the Company's "[t]he revenue outlook for the next 1-2
10 Qs is uncertain due to NEM 3.0, higher interest rates & elevated storage inventories. However,
11 estimates have already been cut to reflect much of these headwinds."

12 35. Deutsche Bank similarly lowered its price target for Enphase stock. In its report,
13 DB noted "The guide implies flat revenues sequentially, despite management expecting better
14 seasonality in 2Q vs 1Q." The DB analyst also pointed out that management's expectation that
15 all of its new US base manufacturing lines would be fully operational by year-end, and shipment
16 capacity of 4.5m units expected by year-end 2024 was "a slower assumption vs previous
17 commentary."

18 36. The fact that these analysts, and others, discussed Enphase's revenue shortfall and
19 missed projection shows that the investing public placed great weight upon Enphase's prior
20 revenue and sales estimates. The frequent, in-depth discussion of Enphase's guidance confirms
21 that Defendants' statements during the Class Period were material.

22 ***Loss Causation and Economic Loss***

23 37. During the Class Period, as detailed herein, Enphase and the Defendants made
24 materially false and misleading statements and engaged in a scheme to deceive the market and a
25 course of conduct that artificially inflated the price of Enphase's common stock and operated as
26 a fraud or deceit on Class Period purchasers of Enphase's common stock by materially misleading
27 the investing public. Later, when Enphase and Defendants' prior misrepresentations and
28

1 fraudulent conduct became apparent to the market, the price of Enphase's common stock
2 materially declined, as the prior artificial inflation came out of the price over time. As a result of
3 their purchases of Enphase's common stock during the Class Period, Plaintiff and other members
4 of the Class suffered economic loss, *i.e.*, damages under federal securities laws.

5 38. Enphase's stock price fell in response to the corrective event on April 25, 2023, as
6 alleged *supra*. On April 25, 2023, Defendants disclosed information that was directly related to
7 their prior misrepresentations and material omissions concerning Enphase's forecasting processes
8 and revenue guidance for 2023.

9 39. In particular, on April 25, 2023, Enphase announced a weak revenue outlook for
10 second quarter 2023 to be within the range of \$700 million to \$750 million.

11 ***Presumption of Reliance; Fraud-On-The-Market***

12 40. At all relevant times, the market for Enphase's common stock was an efficient
13 market for the following reasons, among others:

14 (a) Enphase's common stock met the requirements for listing and was listed and
15 actively traded on the NASDAQ during the Class Period, a highly efficient and automated market;

16 (b) Enphase communicated with public investors via established market
17 communication mechanisms, including disseminations of press releases on the national circuits
18 of major newswire services and other wide-ranging public disclosures, such as communications
19 with the financial press and other similar reporting services;

20 (c) Enphase was followed by several securities analysts employed by major brokerage
21 firms who wrote reports that were distributed to the sales force and certain customers of their
22 respective brokerage firms during the Class Period. Each of these reports was publicly available
23 and entered the public marketplace; and

24 (d) Unexpected material news about Enphase was reflected in and incorporated into
25 the Company's stock price during the Class Period.

26 41. As a result of the foregoing, the market for Enphase's common stock promptly
27 digested current information regarding the Company from all publicly available sources and
28

1 reflected such information in Enphase's stock price. Under these circumstances, all purchasers of
2 Enphase's common stock during the Class Period suffered similar injury through their purchase
3 of Enphase's common stock at artificially inflated prices, and a presumption of reliance applies.

4 42. Alternatively, reliance need not be proven in this action because the action
5 involves omissions and deficient disclosures. Positive proof of reliance is not a prerequisite to
6 recovery pursuant to ruling of the United States Supreme Court in *Affiliated Ute Citizens of Utah*
7 *v. United States*, 406 U.S. 128 (1972). All that is necessary is that the facts withheld be material
8 in the sense that a reasonable investor might have considered the omitted information important
9 in deciding whether to buy or sell the subject security.

10 ***No Safe Harbor; Inapplicability of Bespeaks Caution Doctrine***

11 43. The statutory safe harbor provided for forward-looking statements under certain
12 circumstances does not apply to any of the material misrepresentations and omissions alleged in
13 this Complaint. As alleged above, Defendants' liability stems from the fact that they provided
14 investors with revenue projections while at the same time failing to maintain adequate forecasting
15 processes. Defendants provided the public with forecasts that failed to account for this decline in
16 sales and/or adequately disclose the fact that the Company at the current time did not have
17 adequate forecasting processes.

18 44. To the extent certain of the statements alleged to be misleading or inaccurate may
19 be characterized as forward looking, they were not identified as "forward-looking statements"
20 when made and there were no meaningful cautionary statements identifying important factors that
21 could cause actual results to differ materially from those in the purportedly forward-looking
22 statements.

23 45. Defendants are also liable for any false or misleading "forward-looking
24 statements" pleaded because, at the time each "forward-looking statement" was made, the speaker
25 knew the "forward-looking statement" was false or misleading and the "forward-looking
26 statement" was authorized and/or approved by an executive officer of Enphase who knew that the
27 "forward-looking statement" was false. Alternatively, none of the historic or present-tense
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1 statements made by Defendants were assumptions underlying or relating to any plan, projection,
2 or statement of future economic performance, as they were not stated to be such assumptions
3 underlying or relating to any projection or statement of future economic performance when made,
4 nor were any of the projections or forecasts made by the defendants expressly related to or stated
5 to be dependent on those historic or present-tense statements when made.

6 **CLASS ACTION ALLEGATIONS**

7 46. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
8 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or
9 otherwise acquired Enphase's common stock during the Class Period (the "Class"); and were
10 damaged upon the revelation of the alleged corrective disclosure. Excluded from the Class are
11 defendants herein, the officers and directors of the Company, at all relevant times, members of
12 their immediate families and their legal representatives, heirs, successors or assigns and any entity
13 in which defendants have or had a controlling interest.

14 47. The members of the Class are so numerous that joinder of all members is
15 impracticable. Throughout the Class Period, Enphase's common stock were actively traded on
16 the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and
17 can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds
18 or thousands of members in the proposed Class. Record owners and other members of the Class
19 may be identified from records maintained by Enphase or its transfer agent and may be notified
20 of the pendency of this action by mail, using the form of notice similar to that customarily used
21 in securities class actions. As of February 6, 2023, there were 136 million shares of the
22 Company's common stock outstanding. Upon information and belief, these shares are held by
23 thousands, if not millions, of individuals located throughout the country and possibly the world.
24 Joinder would be highly impracticable.

25 48. Plaintiff's claims are typical of the claims of the members of the Class as all
26 members of the Class are similarly affected by Defendants' wrongful conduct in violation of
27 federal law that is complained of herein.
28

1 49. Plaintiff will fairly and adequately protect the interests of the members of the Class
2 and has retained counsel competent and experienced in class and securities litigation. Plaintiff has
3 no interests antagonistic to or in conflict with those of the Class.

4 50. Common questions of law and fact exist as to all members of the Class and
5 predominate over any questions solely affecting individual members of the Class. Among the
6 questions of law and fact common to the Class are:

- 7 (a) whether the federal securities laws were violated by Defendants' acts as alleged
8 herein;
- 9 (b) whether statements made by Defendants to the investing public during the Class
10 Period misrepresented material facts about the business, operations and
11 management of Enphase;
- 12 (c) whether the Individual Defendants caused Enphase to issue false and misleading
13 financial statements during the Class Period;
- 14 (d) whether Defendants acted knowingly or recklessly in issuing false and misleading
15 financial statements;
- 16 (e) whether the prices of Enphase's common stock during the Class Period were
17 artificially inflated because of the Defendants' conduct complained of herein; and
- 18 (f) whether the members of the Class have sustained damages and, if so, what is the
19 proper measure of damages.

20 51. A class action is superior to all other available methods for the fair and efficient
21 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as
22 the damages suffered by individual Class members may be relatively small, the expense and
23 burden of individual litigation make it impossible for members of the Class to individually redress
24 the wrongs done to them. There will be no difficulty in the management of this action as a class
25 action.

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COUNT I

Against All Defendants for Violations of

Section 10(b) and Rule 10b-5 Promulgated Thereunder

52. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

53. This Count is asserted against defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

54. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon. Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Enphase common stock; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Enphase's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

55. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Enphase's securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company.

1 56. By virtue of their positions at the Company, Defendants had actual knowledge of
2 the materially false and misleading statements and material omissions alleged herein and intended
3 thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants
4 acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose
5 such facts as would reveal the materially false and misleading nature of the statements made,
6 although such facts were readily available to Defendants. Said acts and omissions of defendants
7 were committed willfully or with reckless disregard for the truth. In addition, each defendant
8 knew or recklessly disregarded that material facts were being misrepresented or omitted as
9 described above.

10 57. Information showing that Defendants acted knowingly or with reckless disregard
11 for the truth is peculiarly within defendants' knowledge and control. As the senior managers
12 and/or directors of the Company, the Individual Defendants had knowledge of the details of
13 Enphase's internal affairs.

14 58. The Individual Defendants are liable both directly and indirectly for the wrongs
15 complained of herein. Because of their positions of control and authority, the Individual
16 Defendants were able to and did, directly or indirectly, control the content of the statements of
17 the Company. As officers and/or directors of a publicly-held company, the Individual Defendants
18 had a duty to disseminate timely, accurate, and truthful information with respect to Enphase's
19 businesses, operations, future financial condition and future prospects. As a result of the
20 dissemination of the aforementioned false and misleading reports, releases and public statements,
21 the market price of Enphase's common stock was artificially inflated throughout the Class Period.
22 In ignorance of the adverse facts concerning the Company which were concealed by Defendants,
23 Plaintiff and the other members of the Class purchased or otherwise acquired Enphase's common
24 stock at artificially inflated prices and relied upon the price of the common stock, the integrity of
25 the market for the common stock and/or upon statements disseminated by Defendants, and were
26 damaged thereby.

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59. During the Class Period, Enphase's common stock was traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Enphase's common stock at prices artificially inflated by defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said common stock, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of Enphase's common stock was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Enphase's common stock declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

60. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

61. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's common stock during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

COUNT II

Against the Individual Defendants

for Violations of Section 20(a) of the Exchange Act

62. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

63. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the

1 conduct of the Company's business affairs. Because of their senior positions, they knew the
2 adverse non-public information about Enphase's misstatements.

3 64. As officers and/or directors of a publicly owned company, the Individual
4 Defendants had a duty to disseminate accurate and truthful information, and to correct promptly
5 any public statements issued by Enphase which had become materially false or misleading.

6 65. Because of their positions of control and authority as senior officers, the Individual
7 Defendants were able to, and did, control the contents of the various reports, press releases and
8 public filings which Enphase disseminated in the marketplace during the Class Period concerning
9 the misrepresentations. Throughout the Class Period, the Individual Defendants exercised their
10 power and authority to cause Enphase to engage in the wrongful acts complained of herein. The
11 Individual Defendants therefore, were "controlling persons" of the Company within the meaning
12 of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct
13 alleged which artificially inflated the market price of Enphase's common stock.

14 66. Each of the Individual Defendants, therefore, acted as a controlling person of the
15 Company. By reason of their senior management positions and/or being directors of the
16 Company, each of the Individual Defendants had the power to direct the actions of, and exercised
17 the same to cause, Enphase to engage in the unlawful acts and conduct complained of herein.
18 Each of the Individual Defendants exercised control over the general operations of the Company
19 and possessed the power to control the specific activities which comprise the primary violations
20 about which Plaintiff and the other members of the Class complain.

21 67. By reason of the above conduct, the Individual Defendants and/or Enphase are
22 liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the
23 Company.

24 **PRAYER FOR RELIEF**

25 **WHEREFORE**, Plaintiff demand judgment against defendants as follows:

26 A. Determining that the instant action may be maintained as a class action under Rule
27 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representatives;
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1 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by
2 reason of the acts and transactions alleged herein;

3 C. Awarding Plaintiff and the other members of the Class pre-judgment and post-
4 judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

5 D. Awarding such other and further relief as this Court may deem just and proper.

6 **DEMAND FOR TRIAL BY JURY**

7 Plaintiff hereby demands a trial by jury.

8
9 Dated: May 29, 2024

Respectfully submitted,

10 **LEVI & KORSINSKY, LLP**

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